

# THULAMELA LOCAL MUNICIPALITY

Annual Financial Statements  
for the year ended 30 June 2018



**August 31, 2018**

**THULAMELA LOCAL MUNICIPALITY**

**Annual Financial Statements  
for the year ended 30 June 2018**

Province	Limpopo
Grading of local authority	Grade 4
Municipal Manager	Maluleke HE
Telephone No.	+27 15 962 7589
Email address	malulekehe@thulamela.gov.za
Chief Finance Officer	Tshivule MM
Telephone No.	+27 15 962 7515
Email address	tshivulemm@thulamela.gov.za
Physical address	Old Agrieven building
	Thohoyandou
0950	
Postal address	Private bag X5066
	Thohoyandou
0950	
Bankers	First National Bank
Auditors	Auditor General South Africa
Telephone No.	+27 15 283 9317
Email address	<a href="mailto:gerald@agsa.co.za">gerald@agsa.co.za</a>
Name of Contact Person at Provincial Treasury	Mrs Tema SE
Telephone No.	
Email address	TemaSE@treasury.limpopo.gov.za
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Email address	Sikhuthaze.mbeki@treasury.gov.za

**THULAMELA LOCAL MUNICIPALITY**

**Annual Financial Statement**

**For the period ended 30 June 2018**

**General Information**

Legal form of entity      Thulamela Local Municipality

**Members of the council**

	NAME & SURNAME	POSITION	
1	TSHIFHANGO AVHASHONI STEPHEN	MAYOR	
2	MULOVHEDZI HUMBULANI PATRICIA	SPEAKER	
3	MAHOSI NDIVHUHO GRACE	CHIEFWHIP	*started January 2018

**EXCO**

Full time/Part time

4	NETSHIFHEFHE MATODZI	FULL TIME	
5	NETSHIPISE LIVHUWANI HILDA	FULL TIME	
6	MALINDI OBRIN THIVHILAHILI	FULL TIME	MPAC member
7	MALADA TSHIMANGADZO PHINEAS	PART TIME	
8	NEMARANZHE KHUMELENI	PART TIME	
9	DAVHANA AZWIFANELI JOYCE	PART TIME	
10	RALUSWINGA TSHIFHIWA JOYCE	PART TIME	
11	NETSHISAULU TSHILO ELVIS	PART TIME	

**Councillors**

	NAME & SURNAME	WARD NO.	
12	NELUFHANGANI TAKALANI LEAH	1	
13.	SENGANI MATODZI PHILLEMOM	2	
14.	TUWANI THIATHU THOMAS	3	MPAC member
15.	NENZHELELE NKONELENI	4	
16.	MUNENYIWA MBAMBADZENI EMELY	5	
17.	MAPHIRI TSHIKALANGE BRUCE	6	MPAC member
18.	MUNYAI HLUMULU FLORENCE	7	
19.	MATHAMBO RUDZANI	8	
20.	MUNYAI NDIVHUDZANNYI GLORIA	9	
21.	GUNDULA THUVHULAWI JEFFREY	10	
22.	NETSHISHIVHE AZWIHANGWISI ANNA	11	
23.	MABUDA MUTSHINYALO GLORIA	12	
24.	MUDITAMBI MBULAHENI MEEKNESS	13	
25.	PADELANE THINAWANGA STEVEN	14	
26.	NDOU NTHAMBELENI FELIX	15	MPAC member
27.	MALAKA MOTIMEDI GABRIEL	16	
28.	NELUSHI TSHITEREKE ANDREW	17	MPAC member
29.	MUTHEIWANA FULUFHELO ASNATH	18	MPAC member
30.	THARAGA MAANDA DONALD	19	MPAC member
31.	MUTANDANYI VHULAHANI VIOLET	20	MPAC member
32.	SHITIBA THEMBANI VIOLET	21	
33.	MPHAPHULI MUTSHUTSHUDZI	22	
34.	NEMADZIVHANANI FULUFHELO	23	MPAC member
35.	NETANGAHENI NDIVHONISWANI PERCY	24	
36.	MAKUNGO TSHIVHANGWAHO GODFREY	25	
37.	MADZIVHANDILA MASHUDU	26	
38.	PHALANNDWA NOMPIE REINET	27	
39.	RAMASHIA MAFELA PATRICK	28	
40.	MUNYAI THIVHAFUNI TRYPHINAH	29	
41.	SINGO LYDIA	30	MPAC member
42.	MADUSE LIVHUWANI SALTHIEL	31	
43.	RASENDEDZA AZWITAMISI MELTAH	32	
44.	MBULAHENI NNDWAKHULU	33	
45.	MULAUDZI NDITSHENI	34	
46.	NEMALEGENI TSHILO JOSEPH	35	
47.	MAWELELEWELE TAKALANI MAUREEN	36	
48.	MAGATSHAVHA SABELO OFHANI	37	
49.	MAMUSHIANA THIVHONALI DAVID	38	
50.	MAWELA PHATHUTSHEDZO ESTHER	39	
51.	RAMANALA VHENGANI MARIA	40	

# THULAMELA LOCAL MUNICIPALITY

Annual Financial Statements  
for the period ended 30 June 2018

## Index

Index	Page
Responsibilities and Approval	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Statement of Comparison of Budget and Actuals	6
Accounting Policies	7 to 15
Notes to the annual Financial Statements	16 to 31

## Abbreviations

INEP	Intergrated National Electricity Grant
MSIG	Municipal Systems Improvement Grant
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PPE	Property, Plant & Equipment
SDL	Skills Development Levy



# THULAMELA LOCAL MUNICIPALITY

## Annual Financial Statements for the period ended 30 June 2018

### **Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly represent the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for system of internal financial control established by the municipality and place considerable importance on maintaining a strong environment. To enable the accounting officer to meet these responsibilities, the accounting officer set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standard in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known form of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, control, systems and ethical behaviour are applied and manage within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The financial statements set out in this report have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

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**Accounting Officer**

**Maluleke HE**

# Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 *Restated
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1 571 147 527	1 459 727 347
Intangible assets	3	636 422	805 888
<b>Total non current assets</b>		<b>1 571 783 948</b>	<b>1 460 533 235</b>
<b>Current Assets</b>			
Inventories	4	33 042 931	34 266 645
Trade and other receivables	5	32 496 117	40 263 368
VAT receivable		18 480 882	-
Cash and cash equivalents	6	480 261 359	488 344 797
<b>Total current assets</b>		<b>564 281 289</b>	<b>562 874 810</b>
<b>Total Assets</b>		<b>2 136 065 237</b>	<b>2 023 408 045</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligation	7	-	430 877
Provisions	8	27 556 772	27 303 649
<b>Total non current liabilities</b>		<b>27 556 772</b>	<b>27 734 526</b>
<b>Current Liabilities</b>			
Finance lease obligation	7	430 877	1 643 033
Trade and other payables	9	77 888 917	82 937 133
Unspent conditional grants and receipts	10& 12	-	765 727
VAT		-	12 663 365
Provisions	8	42 997 468	9 393 061
<b>Total current liabilities</b>		<b>121 317 262</b>	<b>107 402 319</b>
<b>Total Liabilities</b>		<b>148 874 034</b>	<b>135 136 844</b>
<b>Net Assets</b>		<b>1 987 191 203</b>	<b>1 888 271 201</b>
Accumulated surplus		<b>1 987 191 203</b>	<b>1 888 271 201</b>

\*See Note 29

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# Statement of Financial Performance for the year ended 30 June 2018

Figures in Rand

2018

2017  
\*Restated

## Revenue

### Revenue from non exchange transactions

Property rates	11	53 944 001	44 111 344
Fines		11 987 218	6 012 416
Government grants & subsidies	12	514 482 000	529 229 253
<b>Total non exchange revenue transactions</b>		<b>580 413 219</b>	<b>579 353 013</b>

### Revenue from exchange transactions

Service charges	13	46 445 021	43 271 129
Rental of facilities and equipment	14	689 967	789 620
Licences and permits	15	11 041 902	11 356 165
Other revenue	16	17 351 139	20 799 447
Gain/(loss) on transfer of functions.	17	(29 708 225)	(151 481 119)
Finance Income	18	48 476 557	48 417 876
<b>Total exchange transactions revenue</b>		<b>94 296 361</b>	<b>(26 846 883)</b>

## Total Revenue

**674 709 581**      **552 506 130**

## Expenditure

Employee related cost	19	244 072 854	227 164 055
Remuneration of councillors	20	28 282 852	25 766 966
Depreciation and amortisation	21.1	48 669 719	46 344 577
Impairment loss	21.2	1 863 364	14 698 600
Finance costs	22	225 030	557 526
Provision for Bad debts	5.3	72 458 874	86 907 705
Asset write off	2 & 3	4 839 797	3 778 928
Auditing fees	23	4 413 642	3 530 764
Repairs and maintenance		9 027 915	12 193 577
General Expenses	24	161 935 577	142 548 703
<b>Total Expenditure</b>		<b>575 789 623</b>	<b>563 491 402</b>

## Surplus (deficit) for the year

98 919 957      (10 985 272)

\*See Note 29



# Statement of Changes in Net Assets

Figures in Rand

		Accumulated surplus	Total net assets
Opening balance as previously reported		1 946 635 471	1 946 635 471
Adjustments:			
Prior year adjustments		(55 052 896)	(55 052 896)
<b>Balance at 1 July 2016 as previously reported</b>		<b>1 891 582 575</b>	<b>1 891 582 575</b>
Change in net assets:			
Restated Surplus/(Deficit) for the year		(10 985 272)	(10 985 272)
Adjustments:			
*Prior year adjustments (Note 29)	29	7 673 943	7 673 943
<b>Balance at 1 July 2017 as restated</b>		<b>1 888 271 246</b>	<b>1 888 271 246</b>
Surplus (deficit) for the year		98 919 957	98 919 957
<b>Balance at 30 June 2018</b>		<b>1 987 191 203</b>	<b>1 987 191 203</b>

\*See Note 29

# **Cash Flow Statement for the year ended 30 June 2018**

Figures in Rand

Note(s)

**2018**

**2017**

## **Cash flows from operating activities**

### **Receipts**

Cash receipts from taxes, levies and fines  
Services charges  
Grants  
Interest received on investments  
Rental income

18

47 670 238	51 054 290
39 418 007	76 051 851
514 482 000	510 924 000
28 808 243	29 569 938
689 967	789 620
<b>631 068 455</b>	<b>668 389 699</b>

### **Payments**

Employee costs  
Suppliers  
Finance costs

19

22

(272 355 706)	(252 931 020)
(182 158 449)	(173 823 901)
(225 030)	(557 526)
<b>(454 739 184)</b>	<b>(427 312 447)</b>

## **Net cash flows from operating activities**

25

**176 329 270**

**241 077 251**

## **Cash flows from investing activities**

Acquisition of fixed assets  
Acquisition of intangible assets  
Net cash flows from investing activities

2

3

(166 502 857)	(182 147 112)
(99 942)	-
<b>(166 602 799)</b>	<b>(182 147 112)</b>

## **Cash flows from financing activities**

Loan Repayments  
Finance lease payments  
Net cash flows from financing activities

7

-	-
(1 643 033)	(1 868 062)
<b>(1 643 033)</b>	<b>(1 868 062)</b>

Net increase/(decrease) in cash and cash equivalents

**(8 083 438)**

**57 062 077**

Cash and cash equivalents at the beginning of the year

488 344 797

431 422 340

Cash and cash equivalents at the end of the year

6

**480 261 359**

**488 344 797**

Statement of comparison of budget to actual amounts for the year ended 30 June 2018

	Original Budget	Budget Adjustments	Final Budget	Actual amount	Variance	%	Note 31
<b>Revenue By Source</b>							
Property rates	83 228 150.44	(36 296 547.44)	46 931 603.00	53 944 001	7 012 398	15%	
Service charges	72 155 297.00	(20 747 855.72)	51 407 441.28	46 445 021	(4 962 420)	-10%	
Rental of facilities and equipment	1 000 000.00	324 000.00	1 324 000.00	689 967	(634 033)	-48%	31.1
Interest earned - external investments	38 000 000.00	2 000 000.00	40 000 000.00	28 808 243	(11 191 757)	-28%	31.2
Interest earned - outstanding debtors	32 000 000.00	(10 995 343.52)	21 004 656.48	19 668 314	(1 336 342)	-6%	
Fines	9 100 000.00	3 000 000.00	12 100 000.00	11 987 218	(112 782)	-1%	
Licences and permits	16 000 000.00	(6 000 000.00)	10 000 000.00	11 041 902	1 041 902	10%	
Transfers recognised	408 323 000.00	(14 910 000.00)	393 323 000.00	514 482 000	121 159 000	31%	31.3
Other revenue	123 063 274.00	13 703 745.44	136 767 019.44	17 351 139	(119 415 880)	-87%	31.4
<b>Total Revenue</b>	<b>782 869 721</b>	<b>(69 922 001)</b>	<b>712 857 720</b>	<b>704 417 806</b>	<b>(8 439 914)</b>		
<b>Expenditure By Type</b>							
Employee related costs	266 532 765	- 29 083 473	237 449 292	244 072 854	- 6 623 563	-3%	
Remuneration of councillors	27 603 707	2 180 580	29 784 287	28 282 852	1 501 435	5%	
Debt impairment	71 251 062	- 2 387 081	68 863 981	72 458 874	- 3 594 893	-5%	
Depreciation & asset impairment	53 379 313	-	53 379 313	48 669 719	4 709 594	9%	
Finance charges	636 000	-	636 000	225 030	410 970	65%	31.5
Contracted services	13 250 000	- 10 250 000	3 000 000	2 728 191	271 809	9%	
Other expenditure	199 235 875	4 264 973	203 500 848	179 352 104	24 148 743	12%	
<b>Total Expenditure</b>	<b>631 888 721</b>	<b>(35 275 001)</b>	<b>596 613 720</b>	<b>575 789 623</b>	<b>20 824 097</b>		
<b>Surplus/(Deficit) for the year</b>	<b>150 981 000</b>	<b>(34 647 000)</b>	<b>116 244 000</b>	<b>128 628 183</b>	<b>(29 264 012)</b>		

Explanation on material differences which is above 15% between final budget and actual are disclosed in note 31

ACCOUNTING POLICIES

1.1 Basis of accounting

1.1.1 Basis of preparation

These annual financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act,Act No 56.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The principle accounting policies adopted in the preparation of these annual Finacial Statement are set out below.

Asset, Liabilities, Revenue and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the note.

1.1.2 Presentation currency

These Annual Finacial Statement are presented in South Africa Rand, which is the functional currency of the Municipality

1.1.3 Going concern assumption

These Annual Finacial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for the foreseeable future.

1.1.4 Comparative information

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- (a) the nature of the reclassification;
  - (b) the amount of each item or class of items that is reclassified; and
  - (c) the reason for the reclassification.
- When it is impracticable to reclassify comparative amounts, the following is disclosed:
- (a) the reason for not reclassifying the amounts; and
  - (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Where material accounting errors have been identified in the current year,the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly, where there has been a change in accounting policy

in the current yearr, the adjustment is made restrospectively as far as is practicable, and the prior year comparatives are restated accordingly

1.1.5 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not effective

GRAP 20 Related Party Disclosures

GRAP 32 Service concession arrangement: Grantor

GRAP 108 Statutory receivables

GRAP 109 Accounting by principal and Agents

1.2 Property, plant and equipment

1.2.1 Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.2.2 Subsequent measurement-Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

1.2.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life. The depreciation rates are based on the following estimated average asset useful lives:

Item	Average useful life
<b>Finance lease assets</b>	
Office equipment	3-5 Years / term of the lease
<b>Property, plant and equipment</b>	
Infrastructure	10- 80 Years
Community and buildings	10- 60 years
<b>Other property, plant and equipment</b>	
Plant and equipment	4-20 Years
Motor vehicles	10-19 years
Computer equipment	4-23 years
Furniture and Office equipment	4-23 years
I-pad/ Tablet	2-5 years

The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the

Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.2.5 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance..

1.3 Intangible assets

1.3.1 Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.vAn intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.3.2 Subsequent measurement-Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.3.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Item	Average useful life
Intangible Assets	5-10 years

1.3.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity.

Classification

The municipality has the following types of financial assets ( classes and category) as reflected on the face of the statement of financial position or in the notes.

Class

- Investments
- Trade receivable from exchange transaction
- Trade receivable from non exchange transaction
- Cash and equivalent
- Long term debtors
- Other receivables

The municipality has the following types of financial liabilities ( classes and category) as reflected on the face of the statement of financial position or in the notes.

Class

- Consumer deposits
- Trade payables and other payables
- Unspend conditional grants and receipts
- Finance leases
- Long term loan

1.4.1 Initial recognition and Measurement of financial assets and liabilities

An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. An entity recognises financial assets using trade date accounting. The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.4.2 Subsequent measurement of financial assets and liabilities

An entity shall measure all financial assets and financial liabilities after initial recognition using the following categories defined in paragraph .14:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.4.3 Gains/Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.4.4 Impairment of Financial Instruments

Financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

1.4.5 Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
  - (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
- In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability

1.4.6 Derecognition

An entity shall derecognise a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:

- (i) derecognise the asset; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

1.5 Leases

1.5.1 Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance lease- lessee

Initial Recognition and Measurement

Finance lease are recognised as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent Measurement

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.5.2 Operating leases -lessee

Lease payments under an operating lease are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

1.6 Inventories

1.6.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. In general, the basis of allocating cost to inventory items is the weighted average method.

1.6.2 Subsequent measurement

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6.3 Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7      **Impairment of assets**

An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount.

1.7.1    **Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

**Basis for estimates of future cash flows**

- In measuring value in use the municipality:
- (a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
  - (b) base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
  - (c ) estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

**Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- \* the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- \* the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets. In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- \* its fair value less costs to sell (if determinable);
- \* its value in use (if determinable); and
- \* zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non cash-cash-generating assets of the unit. Asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

**Reversal of impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- \* its recoverable amount (if determinable); and
- \* the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.7.2 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset. An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.8 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure expected to be required to settle the present obligation at the reporting period. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.9 Revenue

1.9.1 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

- Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- \* the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
  - \* the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - \* the amount of revenue can be measured reliably;
  - \* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
  - \* the costs incurred or to be incurred in respect of the transaction can be measured reliably.



**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of

a transaction can be estimated reliably when all the following conditions are satisfied:

- \* the amount of revenue can be measured reliably;
- \* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

- \* the stage of completion of the transaction at the reporting date can be measured reliably; and
- \* the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage

of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the

stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

**Interest**

Interest is recognised, in surplus or deficit, using the effective interest rate method.

**1.9.2 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners. Non-exchange

transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another

municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not

deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the municipality satisfies a present obligation

recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue

equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required

to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the

reduction in the liability is recognised as revenue.

**Property rates**

The municipality recognises an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met. Resources arising from property rates satisfy the definition of an asset when the municipality controls the

resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from property rates satisfy the criteria for recognition as an asset when it is

probable that the inflow of resources will occur and their fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the customer. The taxable event for

property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

**Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets

are measured at their fair value as at the date of acquisition.

**Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity. Gifts and donations, including goods in-kind Gifts and donations, including goods in kind, are recognised as assets and revenue

when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-Services in-kind are not recognised.

**1.1 Borrowing costs**

Borrowing costs are interests and other costs that an entity incurs in connection with borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in

which they are incurred. Borrowing costs are recognised as an expense in surplus or deficit when incurred.

**1.11 Unauthorised Expenditure**

Unauthorised expenditure is expenditure that has been budgeted, expenditure that is not in terms of the conitions of an allocation received fromanother sphere of gorvenmnet, municipality or organ of state and expenditure in the form of a grant that

is not permitted in term of the Municipal Finance Management Act ( Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for

as revenue in the Statement of Financial Performance

**1.12 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial

Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance .

**1.13 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the

municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently

accounted for as revenue in the Statement of Financial Performance.

1.14 Employee Benefits

1.14.1 Short-term employee benefits

Short-term employee benefits include items such as:  
(a) wages, salaries and social security contributions;  
(b) short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service

Recognition and measurement

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:  
(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and  
(b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

Bonus, incentive and performance related payments

An entity shall recognise the expected cost of bonus, incentive and performance related payments when, and only when:

- (a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- (b) a reliable estimate of the obligation can be made.

1.14.2 Post-employment benefits: Defined contribution plans

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

Recognition and measurement

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service:  
(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and  
(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they shall be discounted using the discount rate specified.

1.14.3 Other long-term employee benefits

Other long-term employee benefits may include, for example:  
(a) long-term compensated absences such as long service or sabbatical leave;  
(b) other long service benefits;  
(c) long-term disability benefits;  
(d) bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;  
(e) deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and  
(f) compensation payable by the entity until an individual enters new employment.

The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. This Standard includes a rebuttable presumption that long-term disability payments are not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. Where this presumption is rebutted the municipality considers whether some or all long-term disability payments should be accounted for.

Recognition and measurement

The amount recognised as a liability for other long-term employee benefits shall be the net total of the following amounts:  
(a) the present value of the defined benefit obligation at the reporting date  
(b) minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly

1.15 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality discloses:  
(a) The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;  
(b) The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the municipality.

1.16 Presentation of Budget information

presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is present separately for each level of legislative oversight:  
(a) the approved and final budget amounts;  
(b) the actual amounts on a comparable basis; and  
(c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.17 Contingent Liabilities

A contingent liability is:(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or(b) a present obligation that arises from past events but is not recognised because:(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or(ii) the amount of the obligation cannot be measured with sufficient reliability.

1.18 Commitments

Commitment is the amount that has been committed but not yet incurred. It is the difference between the contracted amount and the actual expenditure as at year end. This amount is disclosed on the Notes to the Annual Financial Statement.

1.19 Long term debtors

Long term debtors are debtors that are receivable for a period exceeding 12 months from year end. These debtorsarise from the payment agreement between the customer and the Municipality.

**1.20 Events after Balance Sheet date**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after reporting date that are classified as adjusting events have been accounted for in the financial statements. Events after reporting date that are classified as non-adjusting events have been disclosed for in the notes to the financial statements.

**1.21 Value Added Tax**

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is paid to SARS as and when the purchase consideration are received and input will be claimed as and when payment is made .

**1.22 Construction contract**

The gross amount received for constructions on behalf of third party are recognised as a liability when received and any costs related to the projects are set off against such receipts. Where the municipality's own funds are utilised on such projects

before the grant is received, the amount spent on the project is recognised as a receivable, and on receipt of the grants, the amount spent on the projects is set off against the receivable.

**1.23 Accumulated Surplus**

The municipality's suplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

**1.24 Accounting policies, Change in accounting estimates and errors**

**1.24.1 Change in accounting policies**

An accounting policy is changed only if the change:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy is applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects

of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which

retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

**1.24.2 Change in accounting estimates**

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it is recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

**1.24.3 Errors**

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period). When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

Note 2 - Property, plant and equipment 2018

Category	Cost	Acc depreciation	Acc Impairment	Carrying value
Machinery Plant & Equipment	5 233 677	(1 427 889)	(12 801)	3 792 987
Furniture & Equipment	15 931 808	(6 177 122)	(54 393)	9 700 293
Vehicles	78 449 432	(9 959 726)		68 489 706
Computer Equipment	12 055 428	(4 500 002)	(23 315)	7 532 111
Finance Lease	4 424 659	(4 268 686)		155 973
Land	164 276 314	-		164 276 314
Roads and Stormwater	1 118 899 342	(321 162 943)	(15 728 347)	782 008 052
Electricity	46 130 771	(8 289 556)	-	37 841 215
Solid Waste	15 377 711	(6 733 853)	-	8 643 858
Community Assets	266 175 499	(72 320 175)	(705 358)	193 149 966
Work in Progress	295 557 049	-		295 557 049
Total	2 022 511 690.08	- 434 839 951.68	- 16 524 213.47	1 571 147 524.93

New Mscoa Note  
Reconcilliation of property, plant and equipment - 2018

	2017				2018											
					Cost					Transfers	Depreciation and impairment					Carrying value
	Cost	Acc dep	Acc Impairment	Carrying value	Restatements	Restated opening balance	Additions	Disposals	Derecognition	WIP	Depreciation	Impairment	Derecognition	Impairment on disposal	Disposal	
Plant and equipment	5 174 136	(1 379 690)	(16 651)	3 777 795	(23 799)	3 753 997	1 055 643	- 962 395	-	-	- 542 697	- 4 235	-	8 085	484 591	3 792 988
Furniture and Office equipment	15 685 900	(5 252 801)	(91 861)	10 341 237	(225 946)	10 115 291	1 762 050	- 682 543	- 508 559	-	- 1 529 882	-	171 678	27 891	344 367	9 700 293
Motor vehicle	59 968 598	(8 073 232)	(15 023)	51 880 343	2 654 229	54 534 572	17 193 375	- 1 051 160	-	-	- 2 404 611	-	-	-	217 530	68 489 706
Computer Equipment	11 524 795	- 3 703 942	61 992	7 758 860	(166 991)	7 591 870	1 234 853	- 390 109	- 3 019	-	- 1 162 699	-	1 547	34 208	225 461	7 532 111
Finance Lease	4 424 659	(2 793 800)	-	1 630 859	(0)	1 630 859	-	-	-	-	- 1 474 886.25	-	-	-	-	155 972
Land	164 131 055	-	-	164 131 055	145 259	164 276 314	-	-	-	-	-	-	-	-	-	164 276 314
Roads and Stormwater	1 062 318 059	(289 926 725)	(14 626 491)	757 764 843	(2)	757 764 841	-	-	-	56 581 285	- 31 236 218	- 1 101 857	-	-	-	782 008 052
Electricity	46 130 771	(7 017 664)	-	39 113 107	(0)	39 113 107	-	-	-	-	- 1 271 892	-	-	-	-	37 841 215
Solid Waste	15 377 711	(5 734 117)	-	9 643 594	(0)	9 643 594	-	-	-	-	- 999 736	-	-	-	-	8 643 858
Community assets	267 241 051	(66 745 368)	-	200 495 683	1	200 495 684	1 650 128	- 4 991 373	-	-	2 275 692	- 7 829 601	-	-	2 254 795	193 149 968
Work in Progress	210 807 219	-	-	210 807 219	(0)	210 807 219	143 606 808	-	-	-	58 856 978	-	-	-	-	295 557 049
Total	1 862 783 953.57	- 390 627 339.57	- 14 812 017.55	1 457 344 596.45	2 382 750.83	1 459 727 347.29	166 502 857.33	- 8 077 581.47	- 511 577.33	- 0.00	- 48 452 222.45	- 1 811 449.36	173 225.06	70 183.33	3 526 744.24	1 571 147 526.64

Reconcilliation of property, plant and equipment - 2017

	2016			2017										
	Opening balance per AFS	Prior period adjustment	Restated opening balance	Additions	Disposals	Transfers			Depreciation and impairment					Carrying value
						WIP	Transfer Mutale	Transfer Lim 345	Depreciation	Mutale	Impairment	Transfers dep	Disposal	
Land	199 667 055	145 259	199 812 314		-		7 889 000	(43 425 000)	-			-		164 276 314
Buildings	216 238 771	1	216 238 772		-	10 511 055	24 649 121	(72 794 193)	(6 860 454)	(683 837)		29 435 220		200 495 684
Machinery Plant & Equipment	2 805 590	- 23 799	2 781 791	519 617	(72 125)		915 237	(45 631)	(276 620)	(150 212)	(2 122)	23 731	60 331	3 753 997
Furniture	4 699 833	- 225 946	4 473 887	889 890	-		1 353 987	(473 852)	(521 499)	(241 121)	(9 856)	207 176		5 678 613
Vehicles	47 892 631	2 654 229	50 546 860	15 981 768	(5 097 946)		1 049 008	(10 645 738)	(1 342 733)	(44 834)	(15 023)	2 659 935	1 443 276	54 534 572
Infrastructure Assets	836 570 647	(2)	836 570 645		(53 144)	72 469 564	49 285 947	(134 370 231)	(31 457 023)	(1 289 902)	(14 626 491)	29 950 737	41 441	806 521 543
Office Equipment	12 725 647	- 166 991	12 558 656	576 450	(246 942)		1 016 995	(413 471)	(1 534 353)	(225 866)	(45 109)	170 373	171 817	12 028 548
Finance Lease	3 061 127	-	3 061 127	-	-		43 045		(1 460 538)	(12 776)		-		1 630 858
Work in Progress	218 860 137		218 860 137	164 179 387	-	(82 980 619)	23 474 850	(112 726 537)	-			-		210 807 219
Total	1 542 521 438	2 382 751	1 544 904 189	182 147 112	(5 470 157)	0	109 677 191	(374 894 652)	(43 453 220)	(2 648 548)	(14 698 600)	62 447 170	1 716 865	1 459 727 348

## **Note 2 - continued**

Infrastructure and Community Assets: Annual review discussions were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and possible impairments were identified. In addition, insurance claims were also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

Moveable assets: During the asset verification a movable asset was identified that was not on the asset register. The asset was fair valued.

Included under Other Assets are Movable Assets with a total carrying value of R 579 659 (2018) which were not physically verified during the 2017/18 annual verification. During the 2018/19 financial period, a process will be implemented to investigate further and assess whether the assets still exist or should be derecognised, and only after the completion of this process, will assets which could not be confirmed be derecognised.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the revaluation of infrastructure and the holistic approach adopted in the review of all asset portfolios. No assets were identified with remaining useful life that required to be changed. As a result, no change in accounting estimate are required during the current financial year.

**Note 3 - Intangible assets**

	2018			2017	
	Cost	Acc amort and impairment	Carrying value	Cost	
Computer Software	4 361 936	(3 673 606)	688 329	4 261 994	
<b>Total</b>	<b>4 361 935.92</b>	<b>(3 673 606)</b>	<b>688 329</b>	<b>4 261 994</b>	

**Reconcillation of intangible assets - 2018**

	Opening balance			Additions	Disposals
	Opening balance per AFS	Prior period adjustment	Restated opening balance		
Computer Software	805 887	-	805 891	99 942	-
<b>Total</b>	<b>805 887</b>	<b>-</b>		<b>99 942</b>	<b>-</b>

**Reconcillation of intangible assets - 2017**

	Opening balance			Additions	Disposals
	Opening balance per AFS	Prior period adjustment	Restated opening balance		
Computer Software	1 074 331		1 074 331		(159 400)
<b>Total</b>	<b>1 072 103</b>	<b>2 224</b>	<b>1 074 331</b>	<b>-</b>	<b>159 400</b>

Acc amort and impairment	Carrying value
(3 456 106)	805 888
(3 456 106)	<b>805 888</b>

Transfers	Amortisation and impairment			Carrying value
	Amortisation	Impairment	Disposal	
-	(217 497)	(51 915)	-	636 422
-	- 217 497	(51 915)	-	636 422

Transfers	Amortisation and impairment			Carrying value
	Amortisation	Impairment	Disposal	
	(242 809)		133 765	805 887
-	- 242 809	-	133 765	<b>805 887</b>

**Note 4 Inventories**

	2018	2017
Consumable stores	3 991 172.39	4 243 777
Fuel	516 154.00	362 263
Unsold Sites	28 535 604.86	29 660 605
	<b>33 042 931.25</b>	<b>34 266 644.59</b>
<b>Additions</b>		
Consumable purchases-stores	4 762 420.12	6 095 705
Fuel	3 139 482.24	362 263
Consumbles Mutale		37 613
Sites		11 623 606
<b>Total additions</b>	<b>7 901 902.36</b>	<b>18 119 187</b>
<b>Recognised as an expense</b>		
Consumable stores	(4 994 234)	(5 928 185)
Site	(1 125 000)	(4 816 303)
Fuel	(2 835 938)	
Fuel Adjustment	(149 653)	
Inventory write off	(20 791)	
		(5 949 168)
Inventory transfer to LIM 345		
Total issued/(Sold)	<b>(9 125 616)</b>	<b>(16 693 656)</b>
Closing balance of consumable stores	3 991 172.39	4 243 777
Closing balance of unsold sites	516 154.00	29 660 605
Fuel	28 535 604.86	362 263
Adjustments -unsold sites		-
<b>Restated Closing balance</b>	<b>33 042 931.25</b>	<b>34 266 645</b>

No inventory was pledged as security.

**Note 5 Trade and other receivables**

**5.1 Summary of debtors**

	2018	2017
<b>Service debtors</b>		
Closing balance	444 371 793	374 597 192
Provision for bad debts	(421 443 789)	(353 254 153)
	22 928 004	21 343 039
<b>Carrying amount</b>	<b>22 928 004</b>	<b>21 343 039</b>
<b>Traffic fine debtors</b>		
Closing balance	27 826 763	24 252 013
Provision for bad debts	(24 765 997)	(24 186 333)
	<b>3 060 766</b>	<b>65 680</b>
<b>Other receivables</b>		
Other receivables comprise:		
Prepaid expenses	-	6 437 448
Inter Municipal accounts	-	11 082 986
Sundry debtors	6 507 348	1 334 214
	<b>6 507 348</b>	<b>18 854 648</b>
<b>Total</b>	<b>32 496 117</b>	<b>40 263 368</b>

None of the trade and receivables were pledged as security

**5.2 Debtors age analysis**

	2018	2017
<b>Property rates debtors</b>		
Current (0 -30 days)	7 939 953.08	5 565 270.17
31 - 60 days	3 502 080.08	1 994 108.87
61 - 90 days	7 529 926.05	1 947 455.77
91 - 120 days	1 894 329.67	1 902 698.18
121 days +	71 013 916.32	65 784 440.88
	<b>91 880 205</b>	<b>77 193 974</b>
<b>Refuse service debtors</b>		
Current (0 -30 days)	2 657 119.86	2 242 055
31 - 60 days	1 117 388.14	1 013 884
61 - 90 days	1 031 969.81	997 471
91 - 120 days	1 017 381.30	976 155
121 days +	41 342 598.39	79 932 551
	<b>47 166 458</b>	<b>85 162 116</b>
<b>Other consumer debtors</b>		
Current (0 -30 days)	16 142 386	8 915 792
31 - 60 days	5 024 600	4 132 153
61 - 90 days	4 976 018	4 096 209
91 - 120 days	5 342 827	3 958 231
121 - 365 days	273 839 300	191 138 717
	<b>305 325 130</b>	<b>212 241 102</b>
<b>Total of all consumer debtors</b>		
Current (0 -30 days)	26 739 459	16 723 117
31 - 60 days	9 644 068	7 140 146
61 - 90 days	13 537 914	7 041 136
91 - 120 days	8 254 538	6 837 084
121 - 365 days	386 195 815	336 855 709
	<b>444 371 793</b>	<b>374 597 192</b>



Debtors age analysis by consumer type

As at 30 June 2018

	Consumers	Industrial/Commercial	National and provincial Government
Current (0 -30 days)	17 985 281	6 026 752	2 727 425
31 - 60 days	7 179 845	1 915 649	548 575
61 - 90 days	6 466 011	1 259 072	5 812 831
91 - 120 days	6 477 554	1 559 711	217 273
121 - 365 days	328 343 860	51 211 675	6 640 279
<b>Sub-Total</b>	<b>366 452 551</b>	<b>61 972 859</b>	<b>15 946 383</b>
<b>Less: Provision for doubtful debts</b>	<b>(362 356 676)</b>	<b>(59 087 113)</b>	<b>-</b>
<b>Total debtors by customers classification</b>	<b>4 095 875</b>	<b>2 885 746</b>	<b>15 946 383</b>

As at 30 June 2017

	Consumers	Industrial/Commercial	National and provincial Government
Current (0 -30 days)	11 386 892	5 152 259	1 416 340
31 - 60 days	5 429 653	1 217 144	493 349
61 - 90 days	5 367 132	1 193 963	480 040
91 - 120 days	5 314 252	1 113 884	408 948
121 - 365 days	275 212 484	46 766 338	13 644 513
<b>Sub-Total</b>	<b>302 710 413</b>	<b>55 443 588</b>	<b>16 443 191</b>
<b>Less: Provision for doubtful debts</b>	<b>(301 216 508)</b>	<b>(52 037 645)</b>	<b>-</b>
<b>Total debtors by customers classification</b>	<b>1 493 905</b>	<b>3 405 943</b>	<b>16 443 191</b>

5.3 Reconciliation of the doubtful debt provision

Consumer debtors

	2018	2017
Balance at beginning of the year	353 254 154	382 165 781
Contributions/reversals to provision	71 879 209	81 489 856
Doubtful debts written off against provision	(3 689 574)	(110 401 483)
Balance at end of year	<b>421 443 789</b>	<b>353 254 154</b>

Traffic fine debtors

Balance at beginning of the year	24 186 333	18 768 484
Contributions/reversals to provision	579 665	5 417 849
Doubtful debts written off against provision	-	-
Balance at end of year	<b>24 765 997</b>	<b>24 186 333</b>

Total provision expense for the year

<b>72 458 874</b>	<b>86 907 705</b>
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5.4 Receivables from non- exchange transactions

2018

	Cost	Provision for bad debts	Carrying Amount
Property rates	91 880 205	(87 139 513)	4 740 692
	<b>91 880 205</b>	<b>(87 139 513)</b>	<b>4 740 692</b>

2017

	Cost	Provision for bad debts	Carrying Amount
Property rates	77 193 974	(86 847 743)	-9 653 770
	<b>77 193 974</b>	<b>(86 847 743)</b>	<b>-9 653 770</b>

2018

	Cost	Provision for bad debts	Carrying Amount
Traffic fine debtors	27 826 763	(24 765 997)	3 060 766
	<b>27 826 763</b>	<b>(24 765 997)</b>	<b>3 060 766</b>

2017

	Cost	Provision for bad debts	Carrying Amount
Traffic fine debtors	24 269 663	(24 186 333)	83 330
	<b>24 269 663</b>	<b>(24 186 333)</b>	<b>83 330</b>

5.5 Receivables from exchange transactions	Total	Provision for bad debts	Carrying Amount
<b>2017</b>			
Refuse Removal	47 166 458	(44 732 836)	2 433 621.44
Other	305 325 130	(289 571 440)	15 753 690.72
	<b>352 491 588</b>	<b>(334 304 276)</b>	<b>18 187 312.17</b>
<b>2016</b>			
Refuse Removal	85 162 116	(95 812 371)	(10 650 254)
Other	212 241 102	(238 783 675)	(26 542 573)
	<b>297 403 218</b>	<b>(334 596 046) -</b>	<b>37 192 827.49</b>

**Note 6** Cash and cash equivalents

Cash and cash equivalents consist of:

Cheque account	11 246 025	99 816 280
Money Market	1 447 574	1 375 944
Call deposits	467 567 760	387 152 573
	<b>480 261 359</b>	<b>488 344 797</b>

Current assets	480 261 359	488 344 797
	<b>480 261 359</b>	<b>488 344 797</b>

<b>Bank overdraft</b>		
Investment FNB	-	-
	<b>-</b>	<b>-</b>

Net current assets	<b>480 261 359</b>	<b>488 344 797</b>
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Bank Guarantee	<b>1 912 500</b>	<b>1 912 500</b>
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Included in the main primary bank account is guarantee/security of R850 000 to post office. Should Municipality fail to meet payments obligation with post office the amount will be paid over to post office by the bank.

**The municipality had the following bank accounts**

Account number / description	Bank confirmation/certificates	
	30-Jun-18	30-Jun-17
FNB BANK - Account Type - CHEQUE-54660078973	11 001 206	99 816 280
FNB BANK - Account Type - CALL-62090588016	228 871 225	178 402 623
FNB BANK - Account Type - CALL-62090588793	238 696 534	140 412 275
FNB BANK - Account Type- Mutale	1 447 574	68 337 674
FND BANK - Account Type - MONEY MARKET-62336900320	-	1 375 944
<b>Total</b>	<b>480 016 540</b>	<b>488 344 796</b>

Account number / description	Cash book balances	
	30-Jun-18	30-Jun-17
FNB BANK - Account Type - CHEQUE-54660078973	11 246 025	99 816 265
FNB BANK - Account Type - CALL-62090588016	228 871 225	178 402 623
FNB BANK - Account Type- Mutale	238 696 534	68 337 675
FNB BANK - Account Type - CALL-62090588793	1 447 574	140 412 275
FND BANK - Account Type - MONEY MARKET-62336900320	-	1 375 944
<b>Total</b>	<b>480 261 359</b>	<b>488 344 782</b>

**Note 7 Finance lease liability**

<b>2018</b>	Minimum lease payment	Future finance charges	Present value of mimum Lease payments
<b>Amounts payable under finance leases</b>			
Within one year	458 930	28 053	430 877
Within two to five years	-	-	-
	<b>2 326 992</b>	<b>253 082</b>	<b>430 877</b>

Amount due for settlement within 12 months 430 877  
(current portion)

<b>2017</b>	Minimum lease payment	Future finance charges	Present value of mimum Lease payments
<b>Amounts payable under finance leases</b>			
Within one year	1 868 062	225 030	1 643 033
Within two to five years	458 930	28 053	430 877
	<b>2 326 992</b>	<b>253 082</b>	<b>2 073 910</b>

Amount due for settlement within 12 months 1 643 033  
(current portion)

During 2016 financial year 35 machines were purchased on finance lease and the lease term for these machines is 3 years. The effective interest rates is at 0.013958 p.m on all outstanding balance.

**Note 8 Provisions**

**8.1 Long term provision comprise:**

	<b>2018</b>	<b>2017</b>
Provision for long service awards	12 358 609	12 079 000
Provision for long-term leave	15 198 163	15 224 648
Total Provision	<b>27 556 772</b>	<b>27 303 648</b>

Long term service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

Reconciliation of the accrued long service awards

	<b>2018</b>	<b>2017</b>
Opening balance	12 079 000	11 230 579
Additions	706 101	893 921
Interest cost	1 137 861	1 035 500
Awards paid	- 1 564 557 -	1 081 000
Closing balance	<b>12 358 405</b>	<b>12 079 000</b>

Leave accrual provision

Reconciliation of the provision

Opening balance	15 224 648	11 599 457
Annual leave forfeited days *	- 5 917 -	2 000
Net accrued leave days over the year	- 33 414	3 627 191
Closing balance	<b>15 185 317</b>	<b>15 224 648</b>

\* The forfeited leave days is based on the number of leave days that employees accumulated in excess of 48 days by the 30 of June 2017. The Municipality grants its employees either 22 or 24 working days leave per year in recognition of services rendered.

**8.2 Short-term provisions**

**Short-term provision comprise:**

Provision for performance bonuses	5 028 091	5 140 557
Provision for law suits	39 230 302	4 252 504
	<b>44 258 393</b>	<b>9 393 061</b>

**Reconciliation of the performance bonus provision**

Balance at the beginning of year	5 140 557	5 104 460
Contributions to provision	(112 466)	36 097
<b>Total Provision</b>	<b>5 028 091</b>	<b>5 140 557</b>

**Reconciliation of the provision for law suits**

Balance at the beginning of year	4 252 504	-
Contributions to provision	34 977 798	4 252 504
<b>Total Provision</b>	<b>39 230 302</b>	<b>4 252 504</b>

**Provision for law suits**

Thulamela Municipality is being sued by various complainants as outlined on the table below. The outcome of court ruling to be in favour of the complainant has been rated to be more likely than not by the Municipality's legal team. The table comprises all the cases were a provision expense and the accompanying liability was recognised as it is highly probable that there will be an out of resources embodying economic if the cases are to be settled. The liability is included in the short term provisions note above and the expense is shown in the statement of comprehensive income.

Case	Applicant	Case No.	2018	2017
The applicant seeks to compel the municipality to pay certificate while not complying with certain requirements.	Mopicon Construction	1058/2016	-	1 314 984.24
Hilda Mabaya Personal injury.	Hilda Mabaya	352/16	-	228 284.00
Plaintiff is suing the municipality for damages alleging that her child was injured by the municipal pipes.	Mudau Tshimangadzo Noria	705/2017	-	4 000 000.00
Plaintiff is suing the municipality for payment of accomodation at Polokwane Royal Hotel.	Polokwane Royal Hotel	16005730/2016	-	11 170.00
<b>Total provision liability</b>			-	<b>5 554 438.24</b>

**Contingent liabilities on law suits.**

The table below comprises all the law suits which are deemed to be possible obligations and neither expense nor the accompanying liability was recognised. Thulamela's legal counsel has indicated that likelihood of the court ruling being in favour of the complainant is very slim albeit not remote.

Case	Applicant	Case No.	2018	2017
Bianca Logistics is seeking a relief for damages for failing to get registration documents in time after buying a Grader from the municipality.	Bianca Logistics	529/16	14 000 000.00	14 000 000.00
Tshivhase Ungani Martha is suing the municipality for Loss of support as a result of the death of her husband who passed away after a tree befall him.	Tshivhase Ungani Martha	439/2015	3 000 000.00	
Hilda Mabaya Personal injury	Hilda Mabaya	352/16	228 284.00	
Shiburi Samson is suing the municiplaity for htting a trench at Malamulele Extension B.	Shiburi Samson	DC192/2016	15 569.39	
The applicant is suing the municipality an amount of R2 725 770.45 for water usage .	Minister of Water and Sanitation	705/2017	2 725 770.45	2 725 770.45
Mudau Tshimangadzo Noria is suing the municiplaity for damages alleging that her child was injured by the municipal pipes.	Mudau Tshimangadzo Noria	705/2017	4 000 000.00	
Neduvhuledza Bethuel is suing the municiplaity for failing to transfer the site at Tshilungoma into his names.	Neduvhuledza Bethuel	945/2017	2 400 000.00	-
Tshivhase Rerani is suing the municipality for damages due to rain water that flawed from the road that was graded improperly.	Tshivhase Rerani	717/2015		291 750.00
Shumani Moses is claiming an amount of R450,000.00 from the municipality	Shumani Moses	606/15	450 000.00	
<b>Total contingent liability</b>			<b>26 369 623.84</b>	<b>17 017 520.45</b>

A total of 9 interdicts or court orders were launched against Thulamela Local Municipality during the 2018 financial year.

**Note 9 Trade and other payables from exchange transactions**

	2018	2017
Trade payables	37 485 428	38 478 853
Retention creditors	28 829 029	32 540 107
Income received inadvance	8 470 191	8 342 036
Rental deposits	263 060	216 634
Unidentified deposits	2 841 210	3 359 502
	<b>77 888 917</b>	<b>82 937 133</b>

**Note 10 Unspent conditional grants and receipts**

	2018	2017
Unspent conditional grants and receipts comprises of:		
MIG	-	-
Municipal Demarcation Transition Grant	-	-
Enegy Efficiency Demand side Management Grant	-	765 727
	<b>-</b>	<b>765 727</b>

See note 12 for reconciliation of grants and receipts from National/Provincial Government.

**Note 11 Property rates**

<b>Actual</b>	<b>2018</b>	<b>2017</b>
Residential	18 551 606	14 579 656
Business	21 139 329	14 565 843
State	14 253 066	14 965 845
	<b>53 944 001</b>	<b>44 111 344</b>
<b>Valuations</b>		
Residential	3 838 452 480	4 074 995 000
Commercial	2 125 713 380	1 399 964 200
State	1 194 248 000	1 399 017 100
Municipal	392 991 000	426 445 100
	<b>7 551 404 860</b>	<b>7 300 421 400</b>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2014. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on a annual basis on property owners. Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on a annual basis on property owners.

**Note 12 Government grants and subsidies**

Equitable share	361 798 000	354 786 807
Finance Management Grant	1 700 000	1 625 000
MSIG	-	-
Municipal Infrastructure Grant	121 159 000	109 753 445
Electricity Grant	25 000 000	42 000 000
EPWP Intergrated Grant	2 543 000	2 986 000
Municipal Demarcation Grant	2 282 000	6 714 000
Energy Efficiency Grant	-	11 364 001
	<b>514 482 000</b>	<b>529 229 253</b>

**12.1 Equitable Share**

The grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a rebate of R891 which is funded from the grant.

**12.2 Municipal Infrastructure Grant**

Balance unspent at beginning of year	-	27 614 949
Current-year receipts	121 159 000	94 661 000
Transfer from Mutale	-	1 031 495
Conditions met - transferred to revenue	(121 159 000)	(109 602 252)
Transfer	-	(12 673 697)
Prior period error 29.12	-	(1 031 495)
<b>Unspent amount at year end</b>	<b>-</b>	<b>-</b>

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household. All conditions of the grant were met.

**12.3 Municipal Demarcation Transitional Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	2 282 000	6 714 000
Conditions met - transferred to revenue	(2 282 000)	(6 714 000)
Transferred back to Treasury	-	-
<b>Included on other receivable</b>	<b>-</b>	<b>-</b>

This grant was used to construct infrastructure within our towns. All conditions of the grant were met.

**12.4 EPWP grant**

Balance unspent at beginning of year	-	-
Transfer from Mutale	-	126 838
Current-year receipts	2 543 000	2 986 000
Conditions met - transferred to revenue	(2 543 000)	(2 986 000)
Prior period error 29.12	-	(126 838)
<b>Unspent amount at year end</b>	<b>-</b>	<b>-</b>

The grant is used for extended public works programmes. All conditions of the grant were met.

**12.5 Municipal Systems Improvement Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	-	412 909
Transfer from Mutale	-	-
Conditions met - transferred to revenue	-	(412 909)
Prior period error 29.12	-	-
<b>Unspent amount at year end</b>	<b>-</b>	<b>-</b>

This grant was used to build in house capacity to perform the functions and stabilize institutional and governance systems. All conditions of the grant were met.

**12.6 Integrated National Electrification Grant (INEG)**

Balance unspent at beginning of year	-	-
Current-year receipts	25 000 000	42 000 000
Conditions met	(25 000 000)	(42 000 000)
<b>Included on other receivable</b>	<b>-</b>	<b>-</b>

The grant was used to address the electrification backlog of permanently occupied residents. Thereafter the projects are handed over to Eskom for collection of revenue and maintenance. The conditions of the grant were met.

**12.7 Finance Management Grant**

Balance unspent at beginning of year	-	-
Transfer from Mutale	-	760 994
Current-year receipts	1 700 000	1 625 000
Conditions met - transferred to revenue	(1 700 000)	(1 625 000)
Prior period error (29.12)	-	(760 994)
	<b>-</b>	<b>-</b>

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. All conditions of the grant were met.

**12.8 Energy Efficiency Demand side Management Grant**

Balance unspent at beginning of year	765 727	4 129 728
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(765 727)	(11 364 001)
<b>Unspent amount at year end</b>	<b>-</b>	<b>765 727</b>

The grant is used for provision of electricity under energy saving activities. All the conditions were met.

**Note 13 Service charges**

General levy: Business	17 733 327	5 974 161
Refuse removal and development fund	28 711 695	37 296 968
	<b>46 445 021</b>	<b>43 271 129</b>

  

Note 14 Rental of facilities

Rental income comprise of:

Rent of sites

Hiring services

	-	1 853
	689 967	787 767
	<b>689 967</b>	<b>789 620</b>

  

Note 15 Licence and permits

Licence and permits revenue comprise:

Spaza/Hawkers licences

Traffic department licences

	463 867	259 578
	10 578 035	11 096 587
	<b>11 041 902</b>	<b>11 356 165</b>

**Note 16 Other revenue**

	2018	2017
Sale of assets	-	16 231
Application of deed grant	-	-
Inspection Fees	316 070	22 795
Commission income	-	3 378 338
Printing and photocopying	379 835	799 123
Skills development fund	456 253	151 122
Clearance Certificates	86 550	102 348
Parking fee	36 099	28 490
Professional servises :Legal collection	116 944	318 913
Registration fees	3 617 967	12 383 692
Sundry revenue	11 737 478	3 226 954
Transfer fees	603 945	371 441
	<b>17 351 139</b>	<b>20 799 447</b>

**Note 17 Gain/loss on transfer of functions between entities not under common control.****Establishment of LIM345**

The carrying value of assets and liabilities transferred to LIM345 as at 9 August 2016 is as follows:

	2018	2017
Property,plant and equipment		(312 447 481)
Receivables		(85 889 596)
Inventory		(5 949 168)
Bank and cash		-
Creditors		
Provisions		92 272 336
Consumer deposits		
Retentions		
Payments received in advance		
Prior period adjustment (Note 29.7)		(2 046 426)
Gain/(loss) on transfer of function	-	<b>(314 060 336)</b>

**De-Establishment of Mutale Local Municipality**

Mutale Local Municipality was one of the local Municipalities in Limpopo Province under Vhembe District Municipality. On the 9th of August 2016 Mutale Local Municipality was de-established and the area was allocated in terms of the Local Government Act between Musina Local Municipality and Thulamela Local Municipality. The transfer is legally effective from the 10th August 2016.

The fair value of assets and liabilities transferred from Mutale Municipality as at 9 August 2016 is as follows:

	2018	2017
Property,plant and equipment		106 926 228
Receivables		5 291 839
Inventory		11 623 606
Bank and cash		63 136 906
Creditors	(9 322 731)	(1 133 337)
Provisions		(19 954 771)
Consumer deposits		(215 511)
Retentions		(2 977 267)
Payments received in advance		(102 654)
Unidentified deposits		(15 822)
Gain/(loss) on transfer of function	<b>-20 385 495</b>	<b>162 579 217</b>

**Note 18 Investment revenue**

Interest Income comprise:

Bank	28 808 243	29 569 938
Trade and other receivables	19 668 314	18 847 938
	<b>48 476 557</b>	<b>48 417 876</b>

**Note 19 Employee related costs**

	2018	2017
Salaries	168 857 146	148 933 637
Bonus	10 711 520	12 034 845
Medical aid - company contributions	6 951 091	6 749 730
Unemployment Insurance Fund	1 154 956	1 244 668
WCA	1 266 493	1 529 589
Skills Development Levy	1 904 276	1 930 760
Pension Fund Contribution	28 296 365	29 039 090
Travelling Allowance	14 238 588	15 886 613
Overtime	7 426 770	7 254 964
Long-service	1 332 140	1 080 782
Acting allowances	1 231 157	987 295
Industrial Council Levies	57 213	59 689
Housing Subsidy	645 139	435 392
	<b>244 072 854</b>	<b>227 164 055</b>

**Remuneration of municipal manager**

Annual Remuneration	994 137	804 644
Leave pay	72 032	385 123
Car allowance & Travelling claims	308 618	67 054
13th cheque Bonus	82 845	189 336
Contributions to UIF, Medical and Pension Funds	233 307	
	<b>1 690 939</b>	<b>1 446 156</b>

**Chief Financial Officer**

Annual Remuneration	195 589	746 358
housing allowance	38 890	203 179
Car allowance & Travelling claims	75 351	50 690
13th cheque Bonus		200 408
Contributions to UIF, Medical and Pension Funds	3 128	
	<b>312 958</b>	<b>1 200 635</b>

<b>Senior Manager: Corporate services</b>		
Annual Remuneration	675 105	857 277
leave pay	65 962	290 203
Car allowance & Travelling claims	231 388	-
13th cheque Bonus	31 255	12 346
Contributions to UIF, Medical and Pension Funds	10 377	
	<b>1 014 087</b>	<b>1 159 826</b>
<b>Senior Manager: Roads services</b>		
Annual Remuneration	411 534	783 874
Car allowance & Travelling claims	126 614	232 956
13th cheque Bonus	158 029	61 625
Housing Allowance	96 070	-
Contributions to UIF, Medical and Pension Funds	99 219	262 615
	<b>891 465</b>	<b>1 341 070</b>
<b>Senior Manager: Planning and Development</b>		
Annual Remuneration		789 671
Car allowance & Travelling claims		147 410
13th cheque Bonus		46 028
Contributions to UIF, Medical and Pension Funds		188 366
	-	<b>1 171 474</b>
<b>Senior manager: Housing and Electricity</b>		
Annual Remuneration	195 968	783 874
Car allowance & Travelling claims	61 091	256 887
13th cheque Bonus	52 363	65 323
Contributions to UIF, Medical and Pension Funds	48 992	231 041
	<b>61 055</b>	<b>1 337 125</b>
<b>Senior manager: Community services</b>		
Annual Remuneration	203 616	803 654
Car allowance & Travelling claims	73 908	265 216
13th cheque Bonus	4 837	51 200
Contributions to UIF, Medical and Pension Funds	29 359	262 204
	<b>311 720</b>	<b>1 382 274</b>
<b>Note 20 Remuneration of councillors</b>		
	<b>2018</b>	<b>2017</b>
Mayor	885 946	727 912
Speaker	712 290	590 407
Chief whip	694 718	576 084
Councillors Allowance	15 877 753	16 158 408
Pension Fund	2 305 710	2 375 880
Cellphone Allowances	2 873 806	1 791 359
Medical aid	76 655	123 066
Travelling Allowance	4 667 724	3 248 227
Skills Development Levy	188 250	175 623
	<b>28 282 852</b>	<b>25 766 966</b>
<b>In-kind benefits</b>		
The remuneration for the Mayor, Speaker and Chief Whip is inclusive of cellphone allowance, travelling allowance, SDL and pension. The Mayor, Speaker and Chief whip are full-time. Each is provided with an office. The Mayor and the Speaker have use of a Council owned vehicle and driver for official duties.		
<b>Disclosure in terms of the MFMA, 2003, Section 124 (1) (a).</b>		



**Note 21.1 Depreciation and amortisation**

Property, plant and equipment  
Intangible assets

48 452 222	46 101 769
217 497	242 809
<b>48 669 719</b>	<b>46 344 578</b>

**Note 21.2 Impairment loss**

Impairment loss on PPE  
Impairment loss on Intangible Assets

1 811 449	14 698 600
51 915	
<b>1 863 364</b>	<b>14 698 600</b>

**Note 22 Finance costs**

Current borrowings  
Finance leases  
Interest on late payment to suppliers

-	-
225 030	466 431
-	91 095
<b>225 030</b>	<b>557 526</b>

**Note 23 Auditing fees**

Audit fees external

4 413 642	3 530 764
<b>4 413 642</b>	<b>3 530 764</b>

**Note 24 General expenses**

2018

2017

Clothing allowances  
Sundry expenses  
Consultants and Professional Services  
Town planning  
Electricity expense  
Dumping fees  
Energy efficiency and demand  
Audit committee fees  
Licence Application  
Development awareness programmes  
Disaster expenses  
Publicity and advertising  
Refreshment  
Subsistence and travel  
Material supply  
Bank Charges  
Indigent Subsidy  
Ward committee allowances  
Development expenditure  
Telephone Expenses  
Insurance Excess  
Security expenses  
Entertainment expense  
Cellular Expenses  
Postage and stamps  
Mayor bursary scheme  
Printing and stationary  
Professional fee  
Repairs and Maintanance  
Conference expenses

912 651	1 546 962
6 809 286	379 650
19 143 353	4 239 454
3 707 853	1 280 631
21 144 822	7 341 771
2 877 143	2 147 368
-	10 282 652
408 920	277 566
434 465	531 795
11 656	299 107
2 696 217	1 032 951
983 965	1 851 669
13 000	20 500
4 351 483	3 399 166
19 872 735	12 256 802
372 434	359 122
8 129 101	10 997 477
4 873 550	3 201 850
41 007 740	34 580 230
2 395 376	4 562 458
1 813 181	1 170 938
2 728 191	2 487 091
-	1 000
3 178 317	-
5 666 182	3 545 747
1 554 148	1 444 048
3 325 854	2 306 302
3 013 896	23 446 848
-	7 557 548
530 849	
<b>161 956 368</b>	<b>142 548 703</b>

**Note 25 Cash generated from operations**

Surplus/(Deficit) for the year

**Adjustments for non cash items:**

Depreciation and amortisation  
Impairment loss  
Gain/loss on transfer of functions.  
Accrued interest  
Provisions for bad debts (Movement)  
Provisions (Movements)  
Indigents  
Assets writeoff

**Changes in working capital:**

Inventories  
Long term debtors  
Trade and other receivables  
VAT receivable  
Trade and other payables  
Unspent conditional grants and receipts  
Provisions

98 919 957	(10 985 272)
48 669 719	46 344 577
1 863 364	14 698 600
29 708 225	151 481 119
-	557 526
72 458 874	86 907 705
	17 352 080
8 129 101	10 997 477
3 778 928	3 778 928
1 223 713	(1 425 531)
-	138 997
7 767 250	(14 645 328)
(31 144 247)	(1 254 124)
(5 048 216)	(34 222 789)
(765 727)	(28 646 715)
(59 231 673)	-
<b>176 329 270</b>	<b>241 077 251</b>

**Note 26 Commitments****26.1 Operational expenditure**

Approved and contracted  
Approved and not yet contracted  
**Total operational commitments**

40 006 654	9 443 170.10
491 000	430 000
<b>40 497 654</b>	<b>9 873 170</b>

**26.2 Capital expenditure**

Approved and contracted: Property, plant and equipment  
Approved and not yet contracted  
**Total operational commitments**

217 544 693.18	305 181 005.35
-	-
<b>217 544 693</b>	<b>305 181 005</b>

**Total commitments**

<b>258 042 347</b>	<b>315 054 175</b>
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The Commitments are VAT exclusive

**Note 27 Fruitless and wasteful expenditure**

Opening  
Current year fruitless & wasteful expenditure  
Less: Recovered  
Less: Written-off  
Prior period adjustment (Note 29.12)

5 868 616	3 837 853
9 522 128	2 319 666
(324 863)	
(317 076)	
	(288 903)
<b>14 748 805</b>	<b>5 868 616</b>

The current year fruitless expenditure is as a result of court settlements . These expenditures has been reported to council, Provincial treasury,The Auditor General South Africa and Coghsta.

**Note 28 Irregular expenditure**

Opening balance	64 132 931	63 333 635
Current year irregular	922 494	276 500
Identified by AGSA during audit	-	522 796
Transferred to receivables		
Condones (SC 02/02/18)	(276 500)	
<b>Irregular expenditure awaiting condonement</b>	<b>64 778 925</b>	<b>64 132 931</b>

The current year irregular expenditure is as a result of renewal of contract for insurance of municipal properties, Supply of fuel and security services. These expenditure has been reported to Council , Coghsta and The Auditor General South Africa.

**Note 29 Prior period errors**

The following errors were discovered during the current financial year.  
( ) represents credit adjustments done on the underlying records.  
Positive movements represents debits adjustments done on the underlying records.

**29.1** During the current year asset verification process it was identified that a specialised vehicle (Catterpillar) was erroneously omitted in the asset register in previous years asset physical verification process. The cost of the vehicle was not accounted for in the prior year. The deemed cost of the vehicle was determined to be R3 370 616.

The financial impact of the error was determined to be as follows:

	<b>2017</b>
<b>Statement of financial position</b>	
Motor vehicle-cost - Increase/(Decrease)	3 370 616.06
Motor vehicle-accumulated depreciation - (Increase)/ Decrease	(113 981)
<b>Statement of net assets</b>	
Accumulated surplus - (Increase)	(3 256 635)

29.2 During the current financial year, it was identified that Property Plant and Equipment land was incorrectly classified as land inventory in the

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Property Plant and Equipment cost: land - Increase/ (Decrease)	85 258
Inventory: land (Decrease)/ Increase	(85 258)

29.3 During the current financial year, it was identified during the physical verification exercise that Property Plant and Equipment land owned by the municipality in the prior year was not accounted for in the municipality records.

	2017
<b>Statement of financial position</b>	
Property Plant and Equipment cost: land (increase)	60 000
<b>Statement of net assets</b>	
Accumulated surplus - (Increase)/Decrease	(60 000)

29.4 During the current financial year, it was identified that assets that were written off in prior year were incorrectly not written off from the asset register

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Furniture and Office equipment-cost - (Decrease)/ Increase	(325 040)
Computer Equipment-cost - (Decrease)/ Increase	(311 092)
Motor vehicles-cost - (Decrease)/ Increase	(1 031 997)
Plant and equipment-cost - (Decrease)/ Increase	(33 706)
Furniture and Office equipment-accumulated depreciation - Decrease/ (Increase)	89 516
Computer Equipment-accumulated depreciation- Decrease/ (Increase)	139 631
Motor vehicles-accumulated depreciation - Decrease/ (Increase)	405 431
Plant and equipment-accumulated depreciation - Decrease/ (Increase)	9 908
Furniture and Office equipment-accumulated impairment - Decrease/ (Increase)	9 578
Computer Equipment-accumulated impairment - Decrease/ (Increase)	4 470
Motor vehicles-accumulated impairment - Decrease/ (Increase)	15 023
Plant and equipment-accumulated impairment- Decrease/ (Increase)	-
<b>Statement of net assets</b>	
Accumulated surplus - Decrease/ (Increase)	1 028 278

29.5 During the current financial year, the review of useful life of all assets was performed in accordance to GRAP 17 and it was identified that the estimated useful life for a vehicle was intially incorrectly determined.

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Accumulated depreciation-Motor Vehicles - Decrease/ (Increase)	9 137
<b>Statement of net assets</b>	
Accumulated surplus - Decrease/ (Increase)	(9 137)

29.6 During the current financial year, it was discovered that inventory was understated by R 3 207 457

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Duplicated site - (Decrease)/ Increase	(286 519)
Site Replacement - (Decrease)/ Increase	(60 000)
Donated to Thengwe High school - (Decrease)/ Increase	(60 014)
Consolidated Sites - (Decrease)/ Increase	(25)
Sold in Previose years - (Decrease)/ Increase	(869 578)
Ommited form the list in the previous year - (Decrease)/ Increase	4 338 000
<b>Statement of net assets</b>	
Accumulated surplus - Decrease/ (Increase)	(3 061 865)

29.7 During the year it was discovered that we overstated current year expenditure related to profit and loss account on transfer of function to LIM345 during the 2016/17 financial year.

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Other recievables - (Decrease)/ Increase	(2 046 426)
<b>Statement of financial performance</b>	
Gain/ (loss) on transfer of function - (Decrease)/ Increase	2 046 426

29.8 During the year it was discovered that journal 7167 from Road and traffic regulation Vote was erroneously debited in 2017/18 financial year whereas it pertains to the previous financial year.

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Trade and other payables - (Decrease)/ Increase	(99 083)
<b>Statement of financial performance</b>	
Traffic Fine Income - (Decrease)/ Increase	99 083

29.9 During the year it was discovered that the Traffic Fine issues were erroneously added back into receivables during 2016/17 financial year.

The financial impact of the error was determined to be as follows:

	2017
<b>Statement of financial position</b>	
Debtors (Traffic Fines) - (Decrease)/ Increase	(17 650)
<b>Statement of net assets</b>	
Accumulated surplus - Decrease/ (Increase)	17 650

29.10 During the year it was discovered that these operational expenses relating to the 2016/17 financial year were incorrectly mapped to other receivables in the prior year.

The financial impact of the error was determined to be as follows:

	2 017
Statement of financial performance	
General expenses - (Decrease)/ Increase	137 948
Statement of financial position	
Other receivables - (Decrease)/ Increase	(137 948)

29.11 During the year it was discovered that the capital portion redeemed during the 2016/17 financial year of R18 666 was incorrectly debited to the cost of printing and papers usage.

The financial impact of the error was determined to be as follows:

	2017
Statement of financial position	
Financial lease obligation - Decrease/ (Increase)	18 666
Statement of financial performance	
General expenses (printing and paper usage) - (Decrease)/ Increase	(18 666)

29.12 During the year it was discovered that the Mutale unspent conditonal grants were erroneously recorded as unspent as at 30 June 2017.

The financial impact of the error was determined to be as follows:

	2017
Statement of financial position	
Unspent conditional grant - Decrease/ (Increase)	2 332 235
Statement of net assets	
Accumulated surplus - Decrease/ (Increase)	(2 332 235)

29.13 During the year it was discovered that payments made in the prior years were incorrectly debited against a provision vote instead of an expenditure vote

The financial impact of the error was determined to be as follows:

	2017
Statement of financial performance	
Repairs and maintenance - (Decrease)/ Increase	13 050
Statement of net assets	
Provisions - Decrease/ (Increase)	(13 050)

29.15 During the year it was discovered that certain items previously included in the fruitless and wasteful expenditure disclosure were incorrect.

The disclosure impact of the error was determined to be as follows (no financial impact):

Amount incorrectly calculated in the prior year - (Decrease)/ Increase	(58 272)
VAT incorrecntly included - (Decrease)/ Increase	(230 631)
Total adjustment to the opening balance	(288 903)

Note 30 Additional disclosure in terms of Municipal Finance Management Act

30.1 Contributions to organised local government

Opening balance	1 859 601	1 504 081
Current year subscription / fee	2 665 328	2 386 281
Amount paid - current year	(4 524 928)	(2 030 761)
	0	1 859 601

30.2 Auditor's remuneration

Opening balance	3 833 201	24 871
Current year fees	5 029 439	3 808 330
Amount paid - current year	(8 842 923)	-
Closing balance	19 717	3 833 201

30.3 PAYE and UIF

Opening balance	1 244 668	
Current year subscription / fee	17 946 217	1 244 668
Amount paid - current year	(19 190 885)	
Closing balance	-	1 244 668

The amounts represent PAYE and UIF deducted from employees and company contribution on UIF.

30.4 Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year. The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed below.

Municipal Graduity Fund	8 431 606	8 293 732
Momentum provident Funds	11 352 272	10 962 330
National Fund for Municipal workers	3 711 875	3 702 501
Municipal Employees pension fund	5 904 006	6 040 605
Municipal Councillors pension fund	2 539 818	2 590 474
Total Contribution	31 939 577	31 589 642

30.5 Pension and Medical Aid Deductions

Opening balance		-
Current year subscription / fee	37 629 822	38 268 766
Amount paid - current year	(37 629 822)	(38 268 766)
Closing balance	-	-

The amount represent pension and medical aid contributions deducted from employees.

30.6 VAT

VAT receivable	2 550 066	-
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Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors . All VAT returns for the year have been submitted.

30.7 Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mamushiana TD	86	21	107
Maphaha V	86	56	142
Phalanndwa NR	85	3	88
Ramulongo MB	89	272	361
Makatu AM	86	56	142
Malaudzi KE	242	1 613	1 856
	675	2 022	2 697

  

2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mabuda Mutshinyalo Gloria	41	41	82
Zhalagome MG	36	36	72
Ramulongo MB	30	30	60
	107	107	214

30.8 Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipal Manager and noted by council.

	2018	2017
Incident		
Repairs and maintainance	3 085 306	3 348 607
Training	1 091 785	242 741
Accommodation	299 300	1 166 610
Disaster		
Professional Registration	232 140	359 364
Forensic Services		-
Professional fees	696 811	741 243
Stationery		70 231
Local Economic Development	296 939	82 947
Transport	96 093	40 000
Other	570 526	
	6 368 900	6 051 743

30.9 Disclosure of losses through financial misconduct

The Senior Manager community services has been charged with gross dishonesty travelling and substances. Disciplinary processes has been instituted, the settlement agreement reached and the employee resigned.

Opening balance	2 540
New incident	
Recovered	-
Closing Balance	2 540

The municipality has incurred a loss of R360 000 for the payment of sheriff of the court. The Municipal Manager and Senior Manager Corporate Services has been charged for the misconduct. Disciplinary actions has been instituted . The amount is included on fruitless expenditure. The settlement agreement was reached and the two employees resigned.

Opening balance	360 000
New incident	
Recovered	
Closing Balance	360 000

Note 31 Comparison with the budget

31.2 Explanation on material differences between final budget and actuals for the year ended 30 June 2018

31.2.1 Interest earned - external investments

The investment was done on late December and we anticipated that we will reach the target as the year progress forward, unfortunately the

31.2.2 Interest earned - outstanding debtors

The variance is as an expectation of increase on debtors as a results of supplementary valuation roll.

31.2.3 Transfers recognised

The variance as a results of Capital transfer for Municipal Infrastructre Grant which are not part of statement of financial performance

31.2.4 Other revenue

The variance is a results of cash in the from the bank that was finance 2017/ 2018 budget.

31.2.5 Finance charges

The variance is a results of over estimated on finance charges during the budget processes.

Note 32 Related Parties

Management

Municipality has the following senior managers who may have significant influence over the financial or operating policies of the municipality

Names	Title
Maluleke HE	Municipal Manager
Tshivule MM	Chief Financial Officer
Mulaudzi R	Acting Senior Manager: Technical Services
Mphagi AC	Acting Senior Manager: Housing and Electricity
Razwiedani SS	Senior Manager: Corporate Services
Sikhwivhilu NS	Acting Senior Manager Community services

Refer to note No: 19 for the disclosure of their remuneration

**Note 33 Financial Instrument**

Financial assets at amortised cost  
Consumer debtors  
Other receivables  
Vat receivable  
Cash and cash equivalent

2018	2017
22 928 004	21 343 039
9 568 113	18 920 329
18 480 882	-
480 261 359	488 344 797
<b>531 238 358</b>	<b>528 608 165</b>

**Financial liabilities at amortised cost**  
Trade and other payables  
Consumer deposit  
Finance lease liability  
VAT Payable

77 888 917	82 937 133
-	3 359 502
430 877	2 073 910
-	12 663 365
<b>78 319 795</b>	<b>88 370 545</b>

**Note 34** Indigent debts written off  
Actual debts written off  
Movement in provision for bad debts

2018	2017
8 129 101	5 465 416
3 689 752	15 208 097
68 769 122	56 403 512
<b>80 587 975</b>	<b>77 079 042</b>



**Note 36 Risk management****Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

<b>2018</b>	<b>&lt;= 1 Month</b>	<b>&gt; 1 Month &lt;= 3 Months</b>	<b>&gt; 3 Months &lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>Total</b>
Finance lease	155 672	90 977	212 281	-	458 930
Trade and other payables	80 877 412				80 877 412
Retention Creditors	1 561 584	2 276 193	23 800 950	681 833	28 320 559
	<b>82 594 668</b>	<b>2 367 170</b>	<b>24 013 230</b>	<b>681 833</b>	<b>109 656 901</b>

<b>2017</b>	<b>&lt;= 1 Month</b>	<b>&gt; 1 Month &lt;= 3 Months</b>	<b>&gt; 3 Months &lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>Total</b>
Finance lease	155 672	311 344	1 401 047	440 264	2 308 327
Trade and other payables	82 838 050				82 838 050
Retention Creditors	2 759 321	7 605 248	19 193 793	2 766 834	32 325 196
	<b>85 753 043</b>	<b>7 916 592</b>	<b>20 594 840</b>	<b>3 207 098</b>	<b>117 471 573</b>

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>	<b>2018</b>	<b>2017</b>
Money Marker Investment	1 447 574	1 375 944
FNB Current account	11 246 025	99 816 265
FNB Call Account	467 567 760	318 814 898
Long term debtors		-
Trade and other receivables	35 694 224	42 309 794
	<b>515 955 582</b>	<b>462 316 901</b>

Trade and other receivables for government department are not impaired.

**Interest rates risk**

As the municipality has no significant interest bearing assets, the municipality 's income and operating cash flows are substantially independent of changes in market interest rates. At year end , the financial instruments exposed to interest rate risk were as follows:

	<b>2018</b>	<b>2017</b>
Call deposits	467 567 760	318 814 898
Money Markets	1 447 574	1 375 944
	<b>469 015 333</b>	<b>320 190 842</b>